

MISSOURI BOTANICAL GARDEN
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Years Ended December 31, 2018 and 2017

MISSOURI BOTANICAL GARDEN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Missouri Botanical Garden

We have audited the accompanying consolidated financial statements of the Missouri Botanical Garden, a perpetual not-for-profit trust established in 1889 by Henry Shaw and authorized by the General Assembly of the State of Missouri, which comprise the consolidated balance sheet as of December 31, 2018, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Botanical Garden as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of the Missouri Botanical Garden as of December 31, 2017, were audited by other auditors whose report dated March 27, 2018, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages 28 through 30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019, on our consideration of the Missouri Botanical Garden's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Missouri Botanical Garden's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Missouri Botanical Garden's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

St. Louis, Missouri
March 28, 2019

**MISSOURI BOTANICAL GARDEN
CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 9,023,173	\$ 10,011,468
Grants receivable	727,342	963,311
Contributions receivable, net	11,127,075	8,447,407
Other receivables, net	3,045,969	1,882,265
Inventories, prepayments and other assets	1,646,439	2,122,727
Investments	142,169,074	154,618,621
Property and equipment, net of accumulated depreciation	<u>82,488,208</u>	<u>81,084,985</u>
Total assets	<u>\$ 250,227,280</u>	<u>\$ 259,130,784</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 7,886,619	\$ 10,035,563
Deferred revenue	2,493,025	1,753,083
Liability for gift annuity payments	<u>2,216,001</u>	<u>2,503,720</u>
Total liabilities	<u>12,595,645</u>	<u>14,292,366</u>
 NET ASSETS		
Without donor restrictions		
General operating - undesignated	<u>1,303,056</u>	<u>1,776,063</u>
Board-designated -		
Operating	1,222,214	1,067,375
Capital projects	74,752,615	76,495,786
Long-term investment	<u>14,098,038</u>	<u>13,361,829</u>
Total board-designated	<u>90,072,867</u>	<u>90,924,990</u>
Total without donor restrictions	<u>91,375,923</u>	<u>92,701,053</u>
With donor restrictions	<u>146,255,712</u>	<u>152,137,365</u>
Total net assets	<u>237,631,635</u>	<u>244,838,418</u>
Total liabilities and net assets	<u>\$ 250,227,280</u>	<u>\$ 259,130,784</u>

See notes to consolidated financial statements.

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public support			
Botanical Garden Subdistrict	\$ 11,400,000	\$ -	\$ 11,400,000
Contributions	4,757,044	12,089,182	16,846,226
Membership	3,987,917	-	3,987,917
Bequests	736,180	439,795	1,175,975
Revenues			
Admissions	5,018,041	-	5,018,041
Grants and contracts	6,015,747	-	6,015,747
Education	440,809	-	440,809
Retail shops	1,980,364	-	1,980,364
Property rentals	454,451	-	454,451
Net investment gain (loss)	(29,037)	(8,700,045)	(8,729,082)
Net gain on property retirements	3,969	-	3,969
Other	976,038	20,961	996,999
Net assets released from restrictions	<u>9,780,299</u>	<u>(9,780,299)</u>	<u>-</u>
Total public support and revenues	<u>45,521,822</u>	<u>(5,930,406)</u>	<u>39,591,416</u>
EXPENSES			
Program services			
Science and conservation	12,113,625	-	12,113,625
Horticulture	11,332,036	-	11,332,036
Education and sustainability	5,562,611	-	5,562,611
Other	<u>7,957,986</u>	<u>-</u>	<u>7,957,986</u>
Total program services	<u>36,966,258</u>	<u>-</u>	<u>36,966,258</u>
Supporting services			
Management and general	7,550,387	-	7,550,387
Fundraising	<u>1,569,409</u>	<u>-</u>	<u>1,569,409</u>
Total supporting services	<u>9,119,796</u>	<u>-</u>	<u>9,119,796</u>
Total expenses	<u>46,086,054</u>	<u>-</u>	<u>46,086,054</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>(564,232)</u>	<u>(5,930,406)</u>	<u>(6,494,638)</u>
NON OPERATING ACTIVITIES			
Transfers of funds	(287,895)	287,895	-
Change in value of annuity agreements	-	(239,142)	(239,142)
Minimum pension liability adjustment	<u>(473,003)</u>	<u>-</u>	<u>(473,003)</u>
Changes in net assets from non operating activities	<u>(760,898)</u>	<u>48,753</u>	<u>(712,145)</u>
CHANGES IN NET ASSETS	(1,325,130)	(5,881,653)	(7,206,783)
NET ASSETS - BEGINNING OF YEAR	<u>92,701,053</u>	<u>152,137,365</u>	<u>244,838,418</u>
NET ASSETS - END OF YEAR	<u>\$ 91,375,923</u>	<u>\$ 146,255,712</u>	<u>\$ 237,631,635</u>

See notes to consolidated financial statements.

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public support			
Botanical Garden Subdistrict	\$ 10,600,000	\$ -	\$ 10,600,000
Contributions	4,409,322	3,879,796	8,289,118
Memberships	3,688,978	-	3,688,978
Bequests	13,541,114	880,607	14,421,721
Revenues			
Admissions	4,977,364	-	4,977,364
Grants and contracts	6,855,640	449,229	7,304,869
Education	418,151	-	418,151
Retail shops	2,068,438	-	2,068,438
Property rentals	449,840	-	449,840
Net investment gain (loss)	110,642	21,109,876	21,220,518
Net loss on property retirements	(213,372)	-	(213,372)
Other	981,113	-	981,113
Net assets released from restrictions	9,369,584	(9,369,584)	-
Total public support and revenues	<u>57,256,814</u>	<u>16,949,924</u>	<u>74,206,738</u>
EXPENSES			
Program services			
Science and conservation	11,995,654	-	11,995,654
Horticulture	10,604,853	-	10,604,853
Education and sustainability	5,808,712	-	5,808,712
Other	7,873,002	-	7,873,002
Total program services	<u>36,282,221</u>	<u>-</u>	<u>36,282,221</u>
Supporting services			
Management and general	7,544,678	-	7,544,678
Fundraising	1,588,663	-	1,588,663
Total supporting services	<u>9,133,341</u>	<u>-</u>	<u>9,133,341</u>
Total expenses	<u>45,415,562</u>	<u>-</u>	<u>45,415,562</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>11,841,252</u>	<u>16,949,924</u>	<u>28,791,176</u>
NON OPERATING ACTIVITIES			
Transfer of funds	(41,940)	41,940	-
Change in value of annuity agreements	-	(45,860)	(45,860)
Minimum pension liability adjustment	(436,235)	-	(436,235)
Changes in net assets from non operating activities	<u>(478,175)</u>	<u>(3,920)</u>	<u>(482,095)</u>
CHANGES IN NET ASSETS	11,363,077	16,946,004	28,309,081
NET ASSETS - BEGINNING OF YEAR	<u>81,337,976</u>	<u>135,191,361</u>	<u>216,529,337</u>
NET ASSETS - END OF YEAR	<u>\$ 92,701,053</u>	<u>\$ 152,137,365</u>	<u>\$ 244,838,418</u>

See notes to consolidated financial statements.

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services				Total Program Services	Supporting Services			Total
	Science and Conservation	Horticulture	Education and Sustainability	Other		Management and General	Fundraising	Total Supporting Services	
Salaries and Wages	\$ 5,923,730	\$ 4,797,647	\$ 2,845,497	\$ 2,343,225	\$ 15,910,099	\$ 3,557,549	\$ 825,299	\$ 4,382,848	\$ 20,292,947
Employee Benefits and Taxes	<u>1,356,209</u>	<u>1,194,470</u>	<u>672,843</u>	<u>503,947</u>	<u>3,727,469</u>	<u>729,131</u>	<u>132,408</u>	<u>861,539</u>	<u>4,589,008</u>
Total Compensation	7,279,939	5,992,117	3,518,340	2,847,172	19,637,568	4,286,680	957,707	5,244,387	24,881,955
Professional Services and Fees	1,529,857	561,841	543,502	1,224,037	3,859,237	816,972	173,475	990,447	4,849,684
Advertising and Promotion	934	1,315	6,677	1,298	10,224	446,310	29,690	476,000	486,224
Office Expenses	724,190	864,306	382,264	423,067	2,393,827	681,765	94,753	776,518	3,170,345
Utilities and Occupancy Costs	448,981	588,105	111,055	200,702	1,348,843	155,872	22,263	178,135	1,526,978
Travel, Conferences and Meetings	452,361	83,710	106,490	18,970	661,531	65,412	3,587	68,999	730,530
Depreciation	957,440	2,469,131	344,080	414,494	4,185,145	246,442	47,502	293,944	4,479,089
Insurance	119,299	75,828	31,537	26,222	252,886	370,740	7,384	378,124	631,010
Cost of Goods Sold	-	5,994	5,620	938,969	950,583	75,545	-	75,545	1,026,128
Other Expenses	<u>600,624</u>	<u>689,689</u>	<u>513,046</u>	<u>1,863,055</u>	<u>3,666,414</u>	<u>404,649</u>	<u>233,048</u>	<u>637,697</u>	<u>4,304,111</u>
TOTAL EXPENSES	<u>\$ 12,113,625</u>	<u>\$ 11,332,036</u>	<u>\$ 5,562,611</u>	<u>\$ 7,957,986</u>	<u>\$ 36,966,258</u>	<u>\$ 7,550,387</u>	<u>\$ 1,569,409</u>	<u>\$ 9,119,796</u>	<u>\$ 46,086,054</u>

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATIONS		
Changes in net assets	\$ (7,206,783)	\$ 28,309,081
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	4,479,089	4,625,090
(Gain) loss on property retirements	(3,969)	213,372
Net realized and unrealized losses (gains) on investments	11,043,816	(19,163,919)
Change in operating assets and liabilities-		
Receivables	(961,032)	(46,656)
Inventories, prepayments and other assets	476,288	(485,304)
Accounts payable and accrued liabilities	(533,816)	787,763
Deferred revenue	739,942	(533,387)
Liability for gift annuity payments	(287,719)	(149,562)
Revenue restricted for capital projects and endowments	(8,236,623)	(8,422,720)
Net cash provided (used) by operating activities	<u>(490,807)</u>	<u>5,133,758</u>
INVESTING ACTIVITIES		
Proceeds from sales of investments	16,566,607	32,543,295
Purchases of investments	(15,160,876)	(40,205,631)
Purchases of property	(7,503,940)	(5,993,673)
Proceeds from sale of property	10,469	-
Net cash used by investing activities	<u>(6,087,740)</u>	<u>(13,656,009)</u>
FINANCING ACTIVITIES		
Collection of revenues restricted for capital projects and endowments	5,590,252	11,135,743
Net cash provided by financing activities	<u>5,590,252</u>	<u>11,135,743</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(988,295)	2,613,492
CASH AND CASH EQUIVALENTS, Beginning	<u>10,011,468</u>	<u>7,397,976</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 9,023,173</u>	<u>\$ 10,011,468</u>
NON-CASH FINANCING ACTIVITIES		
Changes in restricted contributions receivable for Capital projects	<u>\$ 4,096,476</u>	<u>\$ 1,456,345</u>
Endowments	<u>\$ (1,450,105)</u>	<u>\$ 1,256,678</u>

See notes to consolidated financial statements.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Garden Operations

The Missouri Botanical Garden (the Garden) was founded by Henry Shaw in 1859 and is operated as a Missouri charitable trust formed in 1889, pursuant to his will, serving as a center for research, education and horticultural display. Its mission is to discover and share knowledge about plants and their environment in order to preserve and enrich life. The Garden is funded through public contributions, local and federal grants, investment income, membership and admission fees, retail shop revenue and revenue from botanical services provided to the public and funded by the Botanical Garden Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Botanical Garden Subdistrict). The Garden is a tax exempt 501(c)(3) organization under the Internal Revenue Code.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Garden and its wholly-owned subsidiary, MBG Properties, Inc. All significant inter-organization transactions and balances have been eliminated in consolidation.

Basis of Presentation

The financial statements of the Garden have been prepared on the accrual basis and in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Garden to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Garden's management and Board of Trustees (Board). From time to time, the Board designates a portion of net assets without donor restrictions for specified purposes which make them unavailable for use at management's discretion including:

- Operating - endowment spending appropriation for specific projects
- Capital projects - net property and equipment less uncapitalized fundraising costs
- Long term investment - investment fair value of board designated endowments

Net Assets With Donor Restrictions: Net assets that are subject to donor and grantor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Garden or by the passage of time. Other donor restrictions will never lapse, thus requiring that the funds be retained permanently.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The fair value of financial instruments including cash and cash equivalents, grants, contributions and other receivables, inventories, prepayments and other assets, accounts payable and accrued liabilities and deferred revenue approximate carrying value due to the short-term nature of these accounts.

The Garden determines the fair value of certain financial assets and liabilities on a recurring basis through application of ASC 820, *Fair Value Measurements*, as disclosed in Note 6 to the consolidated financial statements.

ASC 820, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Garden has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Garden's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and are based on the best information available.

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement that should be determined based on the assumptions market participants would use in pricing the asset or liability.

There were no triggering events that required fair value measurements of the Garden's nonfinancial assets and liabilities at December 31, 2018 and 2017.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits held in banks, overnight repurchase agreements, and certificates of deposit with original maturities of three months or less. Short-term commercial paper, liquid securities and money market funds are included in investments.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants receivable consists of amounts due to the Garden related to the work performed under grant and contract agreements.

Contributions Receivable

Legally enforceable pledges are recorded as receivables in the year made. Pledges for support of current operations are recorded as general operating support without restrictions. Pledges made and received beyond one year are discounted to the present value of estimated future cash flows using a risk-adjusted discount rate equal to the 30-year Treasury Bond rate at the pledge date (ranging from 3.96% to 2.74% at December 31, 2018 and 2017). The initially recorded fair value is considered a Level 2 fair value approach. For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. Amortization of the discount is included in contribution revenue. If restricted by a donor for endowment, the amount is reported as public support in the with donor restrictions net asset class. If restricted by a donor for particular purposes or for capital acquisition, the amount is reported as public support with donor restrictions net assets until the asset is placed in service. Conditional pledges receivable are not included as support until the conditions are substantially met. Management writes off receivables when it determines that an amount will not be collected and considers all pledges receivable at December 31, 2018 and 2017 to be collectible. Accordingly, no allowance for uncollectible pledges receivable has been reflected in the consolidated financial statements.

Other Receivables

Other receivables consist primarily of receivables from Botanical Garden Subdistrict, accrued interest, and the cash surrender value of a life insurance policy.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is based on the selling price of inventories. Cost is determined using the average cost method. For scientific publications, the cost of inventory includes layout, printing, and applicable freight costs.

Investments

Purchased investments are carried at fair value. Contributed securities are stated at their fair value on the date of receipt using a Level 1, 2 or 3 fair value approach depending on the type of contributed security. It is the policy of the Garden to sell all contributed securities as soon as they are received. Net investment gain/(loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at estimated fair market value on the date of receipt, if donated. Certain equipment is leased by the Garden and is treated as a capital lease. Expenditures greater than \$5,000 for vehicles and \$15,000 for non-vehicles are reviewed for capitalization. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized. Generally, plant materials are expensed as purchased and are not capitalized.

Depreciation and amortization is provided on a straight-line basis over the following useful lives:

	<u>Years</u>
Building, Gardens and Other Structures	10 - 45
Furniture, Office and Data Processing Equipment	3 - 15
Other	3 - 15

Deferred Revenue

Deferred revenue represents cash received from grants prior to performance by the Garden.

Gift Annuities

The Garden has certain arrangements with donors in which the donor contributes assets in exchange for a promise of fixed payments for a specified period of time to a designated party. At the time of the donation, the assets received are held by the Garden as part of its general assets; a liability is recorded and measured at the present value which is a Level 2 fair value approach, using discount rates ranging from 3.75% to 7.00% as of December 31, 2018.

The obligations under these agreements are adjusted over the term of the agreement for changes in the fair value of assets, accretion of the discount, and other changes in estimates of future benefits. The assets are included in the Garden's investment portfolio.

Revenue Recognition

Revenue derived from contract services provided by the Garden to the Botanical Garden Subdistrict are recorded as earned (Note 13).

The Garden records contributions when received as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished net assets with donor restrictions are reclassified to net assets without donor restrictions-board designated in the consolidated statements of activities.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Bequests are recognized at the time the probate court declares the donor's will valid, unless there are conditions or uncertain events surrounding the bequest. In those circumstances, the transaction is recorded at the time the cash is received. Bequests are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Garden reports gifts of property and equipment as net assets without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. The Garden reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Admissions revenue consists of ticket sales. Daily admissions and annual festival/market admissions are recognized when the tickets are sold. Admissions for large one-time festivals are recognized when the tickets are redeemed.

Grant and contract revenues are recorded as earned, that is, as expenditures are incurred related to individual grant programs and contracts. Amounts received in advance are recorded to the extent cash is received as deferred revenue until the grant or contract is fulfilled.

A number of volunteers contribute services to the Garden in a variety of ways such as gardening and various clerical services that did not meet the requirements of ASC 958-605-25, and are not reflected in the accompanying consolidated financial statements.

Advertising Expenses

Advertising costs are expensed as incurred and totaled approximately \$303,000 and \$231,400 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

The Garden is a not-for-profit trust, exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income. MBG Properties, Inc is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements.

The Garden follows the provisions of ASC 740-10-25, *Income Taxes*, requiring disclosure of uncertain tax positions. There have been no interest or penalties neither recognized in the consolidated statements of activities nor in the consolidated balance sheets related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Garden evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The presentation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimates. Significant management estimates included in the consolidated financial statements relate to the allowance for receivables, fair value of certain investments, inventory valuation, useful lives of depreciable assets, interests in and obligations under split-interest agreements, actuarial pension assumptions, and the allocation of common expenses over program functions.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses for the year ended December 31, 2018 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation, occupancy cost, and other management and general expenses have been allocated to functional classifications based on square footage of facilities. Other management and general expenses have been allocated based on the number of computers or salaries.

Accounting Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This update, which amends the requirements for financial statements and notes in *Topic 958, Not-for-Profit Entities*, require a Not-for-Profit (NFP) to:

- Present on the face of the balance sheet amounts for two classes of net assets as “net assets with donor restrictions” and “net assets without donor restrictions,” rather than for the currently required three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted above) rather than that of the currently required three classes.
- Continue to present on the face of the statement of cash flows the net amount of operating cash flows using either the direct or indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Adopted (Continued)

- Provide enhanced disclosures about (1) amounts and purposes of governing board designations that result in self-imposed limits on the use of resources without donor-imposed restrictions, (2) composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources, (3) qualitative information that communicates how an entity manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date, (4) quantitative information, either on the face of the balance sheet or in the notes, and additional qualitative information in the notes that communicates the availability of an entity's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date, (5) amounts of expenses by both their natural classification and their functional classification, (6) report investment return net of external and direct internal investment expenses, and no longer require disclosure of those netted expenses, and (7) use, in absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

The Garden adopted ASU 2016-14 and has adjusted the presentation of the 2018 consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented resulting in no change to total net assets.

Recent Accounting Pronouncements

- Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition. This standard applies to most contracts with customers and prescribes a five-step framework in accounting for revenues from contracts, including (a) identification of the contract, (b) identification of the performance obligation under the contract, (c) determination of the transaction price, (d) allocation of the transaction price to the identified performance obligation and (e) recognition of revenue as the identified performance obligation is satisfied. This standard also prescribes additional disclosures and financial statement presentations. This standard is effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. The Garden may adopt the standard retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Garden is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for the year ended December 31, 2017 to conform to the year ended December 31, 2018 presentation.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Garden has performed a review of events subsequent to the consolidated balance sheet date through March 28, 2019, the date the consolidated financial statements were available to be issued.

NOTE 2 — LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2018, financial assets available within one year of the balance sheet date for general expenditure, such as operating expenses, were as follows:

Cash and Cash Equivalents	\$ 4,381,442
Grants Receivable	727,342
Contributions Receivable, Net	267,709
Other Receivables, Net	3,045,969
Fiscal Year 2019 Endowment Appropriation	<u>5,945,942</u>
Total Financial Assets Available within One Year	<u>\$ 14,368,404</u>

The Garden regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Garden has various sources of liquidity at its disposal, including cash and cash equivalents, marketable investments and a line of credit.

Cash in excess of daily requirements is invested in short-term investments and certificates of deposit. To manage unanticipated liquidity needs, the Garden maintains a \$5,000,000 line of credit with a commercial bank. There was no balance outstanding at December 31, 2018 and 2017. See Note 8.

Additionally, as of December 31, 2018, the Garden had an additional \$14,098,000 in a board designated endowment fund. Although there is no intention to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE 3 — CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	December 31,	
	<u>2018</u>	<u>2017</u>
Less Than One Year	\$ 4,336,845	\$ 2,879,984
One to Five Years	7,454,639	5,996,590
Pledge Discounts	<u>(664,409)</u>	<u>(429,167)</u>
	<u>\$ 11,127,075</u>	<u>\$ 8,447,407</u>

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4 — INVESTMENTS

Investment income on the consolidated statements of activities is shown net of investment, custodian, advisory and management fees of \$443,599 and \$494,708 for the years ended December 31, 2018 and 2017, respectively. Included in these fees are amounts paid to a financial institution for which a Trustee is a director. The amounts paid to the financial institution during the years ended December 31, 2018 and 2017 are \$241,951 and \$232,686, respectively. This conflict of interest was approved at the Board meetings held on March 28, 2018 and March 22, 2017, respectively.

Investments are recorded at fair value in the accompanying consolidated balance sheets in accordance with ASC 958-320-35, *Investments – Debt and Equity Securities*. For further discussion of fair value refer to Note 6.

Investments consist of the following:

	December 31,	
	2018	2017
Equities	\$ 51,367,029	\$ 73,648,119
Bonds	17,221,622	18,984,848
Mutual Funds	48,387,448	46,341,197
Commercial Paper	2,843,507	2,914,048
Real Estate Funds and Other	<u>22,349,468</u>	<u>12,730,409</u>
	<u>\$ 142,169,074</u>	<u>\$ 154,618,621</u>

The total cost basis of these investments amounted to \$94,813,604 and \$95,633,821 at December 31, 2018 and 2017, respectively.

NOTE 5 — ENDOWMENT

The Garden's endowment consists of 29 individual classifications established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the state of Missouri enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Garden retains, in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time and accumulation is added.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 — ENDOWMENT (Continued)

In accordance with UPMIFA, the Garden considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Garden and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation or deflation
- 5) The expected total return from income and the appreciation of investment
- 6) Other resources of the Garden
- 7) The investment policies of the Garden

As of December 31, 2018 and 2017, the Garden had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2018</u>			
Board-Designated Endowment Funds	\$ 14,098,000	\$ -	\$ 14,098,000
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	81,889,124	81,889,124
Accumulated investment gains	-	<u>45,557,573</u>	<u>45,557,573</u>
	<u>\$ 14,098,000</u>	<u>\$ 127,446,697</u>	<u>\$ 141,544,697</u>
<u>December 31, 2017</u>			
Board-Designated Endowment Funds	\$ 13,361,829	\$ -	\$ 13,361,829
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	80,880,248	80,880,248
Accumulated investment gains	-	<u>60,000,234</u>	<u>60,000,234</u>
	<u>\$ 13,361,829</u>	<u>\$ 140,880,482</u>	<u>\$ 154,242,311</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Garden to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

Return Objectives and Risk Parameters

The Garden has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Garden must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the applicable indices while assuming a moderate level of investment risk.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 — ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Garden relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Garden targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Garden has a policy of appropriating for distribution each year a percent of its endowment fund's average fair value over the prior 12 quarters at June 30 preceding the fiscal year in which the distribution is planned. In 2017, the spend formula was based on 4.8% of the average fair value and in 2018, the spend formula was based on 4.6% of the average fair value. In establishing this policy, the Garden considered the long-term expected return on its endowment.

The changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2018	\$ 13,361,829	\$ 140,880,482	\$ 154,242,311
Contributions	736,180	1,008,876	1,745,056
Investment Return			
Investment income, including			
realized gains (losses)	(9)	2,456,263	2,456,254
Net depreciation	-	(11,156,264)	(11,156,264)
Amounts Transferred from Endowment	-	(220,944)	(220,944)
Amounts Appropriated	-	(5,521,716)	(5,521,716)
Endowment Net Assets, December 31, 2018	<u>\$ 14,098,000</u>	<u>\$ 127,446,697</u>	<u>\$ 141,544,697</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2017	\$ 3,220,734	\$ 123,960,002	\$ 127,180,736
Contributions	10,141,114	1,446,459	11,587,573
Investment Return			
Investment income, including			
realized gains (losses)	(19)	2,419,778	2,419,759
Net appreciation	-	18,690,098	18,690,098
Amounts Transferred from Endowment	-	(31,102)	(31,102)
Amounts Appropriated	-	(5,604,753)	(5,604,753)
Endowment Net Assets, December 31, 2017	<u>\$ 13,361,829</u>	<u>\$ 140,880,482</u>	<u>\$ 154,242,311</u>

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 — FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value:

Equities, Mutual Funds, and Commercial Paper

Domestic and foreign securities, mutual funds, and commercial paper instruments traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Investments in mutual funds represent open ended funds which transact at a net asset value on a daily basis. Since the market for these securities is active and observable, such investments are reported at the unadjusted net asset value at the end of each trading day.

Bonds

Corporate and foreign bonds are valued based on yields currently available on comparable securities of issuers of similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. Government bonds include both U.S. treasury bonds and agency bonds. U.S. treasury bonds are valued using proprietary valuation models incorporating live data from active market makers and brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers and other data. Evaluated pricing models that vary by type of security and incorporate available market data are utilized to determine fair market value of agency bonds. Standard inputs include issuer and type of security, benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

Real Estate Funds

The Garden holds real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments have been estimated using the net asset value per share of the investments (NAV), which represents the amounts at which the Garden may acquire or redeem its fund interests. However, the funds have certain redemption and restriction provisions which may prevent the Garden from redeeming its interest within 90 days. Redemption of the funds requires a notice period of at least 45 days, and redemptions will generally occur the fiscal quarter following the redemption notice. Additionally, the funds may be subject to certain gate restrictions; however, the Garden does not feel such restrictions are likely to prevent redemption within the next 90 days. There are no unfunded commitments with respect to these funds.

Private Equity Funds

The value of private equity funds, which are not readily marketable, is based on the value determined in audited financial statements. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Private equity funds have no ability to be redeemed. At December 31, 2018 the Garden's unfunded commitments with respect to these funds are \$4,843,841.

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

	Total Fair Value	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs
<u>December 31, 2018</u>				
Investments				
Equities	\$ 51,367,029	\$ 51,367,029	\$ -	\$ -
Bonds				
Government	4,124,064	-	4,124,064	-
Corporate	10,262,375	-	10,262,375	-
Other	2,058,444	-	2,058,444	-
Foreign	776,739	-	776,739	-
Fixed mutual funds	12,699,528	12,699,528	-	-
Equity mutual funds	35,687,920	35,687,920	-	-
Commercial paper	<u>2,843,507</u>	<u>2,843,507</u>	-	-
Total investments at fair value	119,819,606	<u>\$ 102,597,984</u>	<u>\$ 17,221,622</u>	<u>\$ -</u>
Investments Reported at NAV	<u>22,349,468</u>			
Total investments	<u>\$ 142,169,074</u>			
<u>December 31, 2017</u>				
Investments				
Equities	\$ 73,648,119	\$ 73,648,119	\$ -	\$ -
Bonds				
Government	3,951,716	-	3,951,716	-
Corporate	11,346,974	-	11,346,974	-
Other	3,349,215	-	3,349,215	-
Foreign	336,943	-	336,943	-
Fixed mutual funds	13,134,357	13,134,357	-	-
Equity mutual funds	33,206,840	33,206,840	-	-
Commercial paper	<u>2,914,048</u>	<u>2,914,048</u>	-	-
Total investments at fair value	141,888,212	<u>\$ 122,903,364</u>	<u>\$ 18,984,848</u>	<u>\$ -</u>
Investments Reported at NAV	<u>12,730,409</u>			
Total investments	<u>\$ 154,618,621</u>			

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7 — PROPERTY AND EQUIPMENT

Property and equipment, consists of the following:

	December 31,	
	2018	2017
<u>Nondepreciable</u>		
Land	\$ 7,213,460	\$ 7,213,460
Construction in progress	984,852	7,942,604
Fountains, sculptures, gardens and other	2,962,286	2,962,286
<u>Depreciable</u>		
Buildings, gardens and other structures	152,065,627	141,261,527
Furniture, office and data processing equipment	6,635,953	5,888,208
Other	<u>6,021,691</u>	<u>4,769,630</u>
	175,883,869	170,037,715
Accumulated Depreciation	<u>(93,395,661)</u>	<u>(88,952,730)</u>
	<u>\$ 82,488,208</u>	<u>\$ 81,084,985</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$4,479,089 and \$4,625,090, respectively.

NOTE 8 — LINE OF CREDIT

The Garden maintains an unsecured line of credit at December 31, 2018 and 2017 for \$5,000,000 which expires on May 3, 2019. The line of credit bears interest of 1.50% above the LIBOR index. There was no balance outstanding at December 31, 2018 and 2017.

NOTE 9 — NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2018	2017
Subject to the Garden spending policy and appropriation:		
Science	\$ 43,233,582	\$ 47,682,225
Horticulture	6,848,929	7,536,552
Education and sustainability	3,354,448	3,338,763
General use/other	<u>74,009,738</u>	<u>82,322,942</u>
	<u>127,446,697</u>	<u>140,880,482</u>
Subject to expenditure for specific purpose:		
Capital projects	16,243,997	9,410,977
Science	676,438	708,785
Horticulture	1,134,019	685,323
Education and sustainability	383,604	389,370
Other	<u>370,957</u>	<u>62,428</u>
	<u>18,809,015</u>	<u>11,256,883</u>
	<u>\$ 146,255,712</u>	<u>\$ 152,137,365</u>

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9 — NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets were released for the following purposes:

	December 31,	
	2018	2017
Science, Horticulture, and Education	\$ 5,742,670	\$ 5,635,855
Property and Equipment	2,916,621	2,825,221
General Operating	<u>1,121,008</u>	<u>908,508</u>
	<u>\$ 9,780,299</u>	<u>\$ 9,369,584</u>

Net assets with donor restrictions where the amounts are required to be maintained in perpetuity by donor are primarily to provide investment income that is available for the operating expenses of the Garden.

NOTE 10 — RETIREMENT PLANS

The Garden sponsors a defined contribution 403(b) plan covering substantially all eligible employees who choose to participate. The Garden matches employee contributions up to a maximum of 6%. The Garden's contributions for the years ended December 31, 2018 and 2017 were \$939,488 and \$956,872, respectively.

In addition, the Garden sponsors a defined benefit pension plan covering certain eligible employees (the Plan). Effective January 1, 2005, benefit accounts were frozen for all participants and no new participants were allowed to enter the Plan. The benefits are based on years of service and an employee's cumulative compensation from entering the Plan through December 31, 2004. The Garden uses a December 31 measurement date for the Plan. The following tables provide further information about the Plan in accordance with required disclosures under ASC 958-715, *Compensation – Retirement Benefits*:

	Years Ended December 31,	
	2018	2017
Change in Benefit Obligation During Year		
Projected benefit obligation (PBO) at beginning of year	\$ 11,416,664	\$ 11,420,494
Interest cost	365,207	398,253
Benefits paid	(741,056)	(1,006,511)
Actuarial loss	(276,086)	604,428
Projected benefit obligation (PBO) at end of year	<u>\$ 10,764,729</u>	<u>\$ 11,416,664</u>
Accumulated Benefit Obligation at End of Year	<u>\$ 10,764,729</u>	<u>\$ 11,416,664</u>

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 — RETIREMENT PLANS (Continued)

	Years Ended December 31,	
	2018	2017
Change in Plan Assets During Year		
Fair value of plan assets at beginning of year	\$ 8,011,486	\$ 8,080,078
Actual return on plan assets	(383,882)	566,446
Employer contributions	359,997	371,473
Benefits paid	(741,056)	(1,006,511)
Fair value of plan assets at end of year	<u>\$ 7,246,545</u>	<u>\$ 8,011,486</u>
Funded Status at End of Year (Assets Less PBO)	<u>\$ (3,518,184)</u>	<u>\$ (3,405,178)</u>

ASC 715 amounts recognized in the Balance Sheets consist of:

	December 31,	
	2018	2017
Liabilities – Accounts payable and accrued liabilities	<u>\$ 3,518,184</u>	<u>\$ 3,405,178</u>

ASC 715 amounts recognized without donor restrictions consist of:

	December 31,	
	2018	2017
Increase (Decrease) During Year	\$ 186,938	\$ (167,980)
Beginning of Year Actuarial Net Loss	<u>4,240,296</u>	<u>4,408,276</u>
Total	<u>\$ 4,427,234</u>	<u>\$ 4,240,296</u>

	Pension Benefits	
	2018	2017
Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31:		
Discount rate	3.75%	3.25%
Rate of compensation increase	N/A	N/A
Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended December 31:		
Discount rate	3.25%	3.50%
Expected return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 — RETIREMENT PLANS (Continued)

The Garden's assumed long-term rate of return on assets is 6.00%. The expected one-year nominal returns and annual standard deviation columns below are from the actuary's capital market assumption model.

Asset Class	Approximate % of Total Portfolio	Actuary's Capital Market Assumptions	
		30 Year Nominal Return	Annual Standard Deviation
Core Fixed Income	70%	5%	4%
Mid-Cap US Equity	5%	8%	17%
Large-Cap US Equity	13%	7%	15%
Small-Cap US Equity	3%	8%	20%
International Equity	6%	9%	18%
Cash	2%	3%	1%
Real Estate	1%	11%	25%

The 6.00% expected return on Plan assets assumption falls within the expected range.

Plan Assets

The following are the major categories of assets maintained by the Garden's pension plan measured at fair value on a recurring basis at December 31, 2018 and 2017 using quoted market prices in active markets for identical assets Level 1, Level 2 and Level 3, as defined in Note 6:

	Investments at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 183,072	\$ -	\$ -	\$ 183,072
Mutual Funds				
Equity	2,002,562	-	-	2,002,562
Fixed	5,060,911	-	-	5,060,911
Total	<u>\$ 7,246,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,246,545</u>

	Investments at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 127,618	\$ -	\$ -	\$ 127,618
Mutual Funds				
Equity	2,603,933	-	-	2,603,933
Fixed	5,279,935	-	-	5,279,935
Total	<u>\$ 8,011,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,011,486</u>

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 — RETIREMENT PLANS (Continued)

The Garden’s overall objective for Plan assets is to provide benefits to its beneficiaries through a carefully planned and executed investment program. The assets of the Plan shall be diversified to minimize the risk of large losses within any one asset class, investment type, geographic location, industry or sector distributions, or maturity date, which could seriously impair the Plan’s ability to achieve its funding and long-term investment objectives. The assets of the Plan shall be invested to maximize returns for the level of risk taken and maintain adequate liquidity to meet required benefit payments to the Plan’s beneficiaries. Based on the determination of the appropriate risk posture for the Plan and its long-term expectations, the following target allocation ranges were established for each major asset category:

- Domestic equity securities – 20% - 35%
- International equity securities – 0% - 15%
- Domestic fixed income securities – 45% - 80%
- International fixed income securities – 0% - 10%
- Alternative investments – 0% - 20%

The Garden attempts to mitigate investment risk by rebalancing the portfolio back to target allocations as the Garden’s contributions and monthly benefit payments are made. If an event causes the portfolio weightings to change significantly, the portfolios are rebalanced immediately following the change.

Cash Flows

Contributions

The Garden expects to contribute \$482,406 to the Plan in 2019 because the estimated 2018 remaining required contributions and the estimated 2019 total required quarterly contributions are \$89,230 and \$393,176, respectively.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Benefit Payments
2019	\$ 808,151
2020	815,901
2021	807,445
2022	813,740
2023	805,276
2024-2028	<u>3,743,285</u>
	<u>\$ 7,793,798</u>

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 11 — CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Garden to concentrations of credit risk consist principally of cash deposits in banks and other financial institutions, investment securities, and contribution receivables. The Garden maintains cash and cash equivalents and short and long-term investments with major banks and financial institutions. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and accounts at brokerage firms are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 at each institution, as applicable. At times, the Garden may have balances with banks in excess of the FDIC coverage.

At December 31, 2018, four donors comprise over 75% of the contributions receivables balance. All of these donors have a strong history with the Garden and no issues with collectability are anticipated.

NOTE 12 — RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017, the Garden received \$7,111,854 and \$1,358,644, respectively, in contributions for operating, program, and capital purposes from various members of the Board. In addition, during the years ended December 31, 2018 and 2017, \$3,471,645 and \$2,930,745, respectively, were received from immediate family members of the Trustees, or from companies in which Trustees serve as a director or officer. At December 31, 2018 and 2017, contributions receivable, gross, of \$10,587,677 and \$7,701,655, respectively, were due from Trustees, immediate family members of the Trustees and companies in which Trustees serve as a director or officer, and consisted of multiple year pledges to the Garden for operating, research, and capital funds. Note 4 includes amounts paid for investment, custodian, advisory and management fees to a related party.

NOTE 13 — BOTANICAL GARDEN SUBDISTRICT

The Botanical Garden Subdistrict (the Subdistrict) is a part of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County. The Subdistrict was established to receive tax revenues from the tax collectors' offices and to pay for botanical services provided to benefit the public. Pursuant to legal requirements, the Subdistrict and the Garden enter into an annually renewable contract for botanical services. The contract provides for botanical facilities and services to be provided to the public by the Garden in exchange for compensation from the Subdistrict. In accordance with the contract, the Garden records revenue based on a rate of 3.90¢ and 3.86¢ on each \$100 of assessed valuation at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the Garden's other receivables included \$2,476,923 and \$1,450,299, respectively, from the Subdistrict.

NOTE 14 — RELATED ENTITIES

The Garden leases employees to and/or provides accounting services pursuant to written contracts for four other entities. In accordance with ASC 958-810-15, *Consolidation*, the accounts of the Garden District Commission (GDC), the St. Louis-Jefferson Solid Waste Management District (Solid Waste Management), the Botanical Society of America (BSA) and the U.S. Green Building Council Missouri Gateway Chapter (GBC) have not been included in the accompanying consolidated financial statements as the criteria of control does not exist. As required, the following information regarding transactions between the Garden and these entities is provided:

MISSOURI BOTANICAL GARDEN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 14 — RELATED ENTITIES (Continued)

Garden District Commission

GDC is a not-for-profit corporation established to help stabilize and strengthen the Shaw, McRee Town, Tiffany, and Southwest Garden neighborhoods. It is also intended to provide services to organizations and institutions within these neighborhoods as part of a planned approach to neighborhood stabilization and improvement. During the years ended December 31, 2018 and 2017, the Garden received \$-0- and \$74,229, respectively, in Federal grants that were passed through to GDC and reported as neighborhood improvements on the consolidated statements of activities.

The St. Louis-Jefferson Solid Waste Management District

Solid Waste Management is a local government agency which serves as a resource to assist the public, private and not-for-profit sectors in establishing and expanding waste reduction, recycling and composting efforts in the St. Louis area. At December 31, 2018 and 2017, the Garden has a contract receivable from Solid Waste Management of \$55,390 and \$47,054, respectively.

Botanical Society of America

BSA is a not-for-profit corporation established to promote botany, the field of basic science dealing with the study and inquiry into form, function, diversity, development, reproduction, evolution, and uses of plants and their interactions within the biosphere. In addition to leasing employees to BSA, the Garden also leases approximately 1,000 square feet of space for a nominal fee. At December 31, 2018 and 2017, the Garden has no contract receivable from BSA.

U.S. Green Building Council - Missouri Gateway Chapter

GBC is a not-for-profit corporation established to initiate, develop and accelerate implementation of green building concepts, technologies and principles that promote environmentally responsible, profitable and healthy places to live and work. At December 31, 2018 and 2017, the Garden has a contract receivable from GBC of \$48,763 and \$46,160, respectively.

NOTE 15 — RISKS AND UNCERTAINTIES

The Garden's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to current economic conditions, it is at least reasonably possible that changes in the value of the Garden's investments will occur in the near term and those changes could materially affect the amounts reported in the Garden's consolidated financial statements.

While there are no material legal proceedings to which the Garden is a party, the Garden may be involved in various claims, legal actions and regulatory proceedings arising in the ordinary course of business. In the opinion of the Garden's management, the resolution of these matters will not have a material adverse effect on the Garden's consolidated financial statements.

SUPPLEMENTARY INFORMATION

MISSOURI BOTANICAL GARDEN
CONSOLIDATING BALANCE SHEET BY FUND
December 31, 2018

	<u>Operating</u>	<u>Restricted Operating</u>	<u>Endowment</u>	<u>Property and Equipment</u>	<u>Gift Annuities</u>	<u>Capital Campaign</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 9,023,214	\$ -	\$ (41)	\$ 567	\$ -	\$ (567)	\$ 9,023,173
Grants receivable	-	727,342	-	-	-	-	727,342
Contributions receivable, net	233,085	174,310	4,199,864	-	-	6,519,816	11,127,075
Other receivables, net	2,774,162	-	269,382	(1)	2,428	(2)	3,045,969
Inventories, prepayments and other assets	1,646,339	-	-	100	-	-	1,646,439
Investments	18	45,313	137,958,875	349,423	1,214,804	2,600,641	142,169,074
Property and equipment, net of accumulated depreciation	-	-	-	82,488,208	-	-	82,488,208
Interfund receivables (payables)	(4,661,137)	5,246,186	(883,383)	(750,889)	1,022,767	26,456	-
Total assets	<u>\$ 9,015,681</u>	<u>\$ 6,193,151</u>	<u>\$ 141,544,697</u>	<u>\$ 82,087,408</u>	<u>\$ 2,239,999</u>	<u>\$ 9,146,344</u>	<u>\$ 250,227,280</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 7,652,945	\$ -	\$ -	\$ 222,141	\$ 11,533	\$ -	\$ 7,886,619
Deferred revenue	59,680	2,418,346	-	14,999	-	-	2,493,025
Liability for gift annuity payments	-	-	-	-	2,216,001	-	2,216,001
Total liabilities	<u>7,712,625</u>	<u>2,418,346</u>	<u>-</u>	<u>237,140</u>	<u>2,227,534</u>	<u>-</u>	<u>12,595,645</u>
NET ASSETS							
Without donor restrictions							
General operating - undesignated	<u>1,303,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,303,056</u>
Board-designated -							
Operating	-	1,222,214	-	-	-	-	1,222,214
Capital expenditures	-	-	-	79,906,346	-	(5,153,731)	74,752,615
Long-term investment	-	-	14,098,038	-	-	-	14,098,038
Total board-designated	-	<u>1,222,214</u>	<u>14,098,038</u>	<u>79,906,346</u>	<u>-</u>	<u>(5,153,731)</u>	<u>90,072,867</u>
Total without donor restrictions	<u>1,303,056</u>	<u>1,222,214</u>	<u>14,098,038</u>	<u>79,906,346</u>	<u>-</u>	<u>(5,153,731)</u>	<u>91,375,923</u>
With donor restrictions	<u>-</u>	<u>2,552,591</u>	<u>127,446,659</u>	<u>1,943,922</u>	<u>12,465</u>	<u>14,300,075</u>	<u>146,255,712</u>
Total net assets	<u>1,303,056</u>	<u>3,774,805</u>	<u>141,544,697</u>	<u>81,850,268</u>	<u>12,465</u>	<u>9,146,344</u>	<u>237,631,635</u>
Total liabilities and net assets	<u>\$ 9,015,681</u>	<u>\$ 6,193,151</u>	<u>\$ 141,544,697</u>	<u>\$ 82,087,408</u>	<u>\$ 2,239,999</u>	<u>\$ 9,146,344</u>	<u>\$ 250,227,280</u>

MISSOURI BOTANICAL GARDEN
CONSOLIDATING STATEMENT OF ACTIVITIES BY FUND
Year Ended December 31, 2018

	<u>Operating</u>	<u>Restricted Operating</u>	<u>Endowment</u>	<u>Property and Equipment</u>	<u>Gift Annuities</u>	<u>Capital Campaign</u>	<u>Elimination</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES								
Public support								
Botanical Garden Subdistrict	\$ 11,400,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,400,000
Contributions	4,757,048	1,385,722	589,081	168,689	10,163	9,935,523	-	16,846,226
Memberships	3,987,917	-	-	-	-	-	-	3,987,917
Bequests	-	20,000	1,155,975	-	-	-	-	1,175,975
Revenues								
Admissions	5,018,041	-	-	-	-	-	-	5,018,041
Grants and contracts	-	6,000,747	-	15,000	-	-	-	6,015,747
Education	440,809	-	-	-	-	-	-	440,809
Retail shops	1,980,364	-	-	-	-	-	-	1,980,364
Property rentals	454,451	-	-	-	-	-	-	454,451
Net investment gain (loss)	3,987,991	1,510,735	(14,221,726)	(40)	(11,152)	5,110	-	(8,729,082)
Net gain on property retirements	-	-	-	3,969	-	-	-	3,969
Other	1,264,738	(165,128)	-	-	19,187	-	(121,798)	996,999
Total public support and revenues	<u>\$ 33,291,359</u>	<u>\$ 8,752,076</u>	<u>\$ (12,476,670)</u>	<u>\$ 187,618</u>	<u>\$ 18,198</u>	<u>\$ 9,940,633</u>	<u>\$ (121,798)</u>	<u>\$ 39,591,416</u>

(Continued on Page 30)

MISSOURI BOTANICAL GARDEN
CONSOLIDATING STATEMENT OF ACTIVITIES BY FUND (Continued)
Year Ended December 31, 2018

	<u>Operating</u>	<u>Restricted Operating</u>	<u>Endowment</u>	<u>Property and Equipment</u>	<u>Gift Annuities</u>	<u>Capital Campaign</u>	<u>Eliminations</u>	<u>Total</u>
EXPENSES								
Program Services								
Science and conservation	\$ 7,366,337	\$ 3,706,436	\$ -	\$ 968,505	\$ -	\$ 72,347	\$ -	\$ 12,113,625
Horticulture	7,997,258	522,551	-	2,515,723	-	296,504	-	11,332,036
Education and sustainability	2,473,705	2,732,885	-	347,347	-	8,674	-	5,562,611
Other	6,309,941	1,220,562	-	417,614	-	9,869	-	7,957,986
Total Program Services	<u>24,147,241</u>	<u>8,182,434</u>	<u>-</u>	<u>4,249,189</u>	<u>-</u>	<u>387,394</u>	<u>-</u>	<u>36,966,258</u>
Supporting services								
Management and general	7,233,888	38,946	-	251,038	-	148,313	(121,798)	7,550,387
Fundraising	1,024,058	15	-	70,411	-	474,925	-	1,569,409
Total supporting services	<u>8,257,946</u>	<u>38,961</u>	<u>-</u>	<u>321,449</u>	<u>-</u>	<u>623,238</u>	<u>(121,798)</u>	<u>9,119,796</u>
TOTAL EXPENSES	<u>32,405,187</u>	<u>8,221,395</u>	<u>-</u>	<u>4,570,638</u>	<u>-</u>	<u>1,010,632</u>	<u>(121,798)</u>	<u>46,086,054</u>
CHANGES IN NET ASSETS FROM OPERATIONS	<u>886,172</u>	<u>530,681</u>	<u>(12,476,670)</u>	<u>(4,383,020)</u>	<u>18,198</u>	<u>8,930,001</u>	<u>-</u>	<u>(6,494,638)</u>
NON OPERATING ACTIVITIES								
Transfers of funds	(471,158)	274,971	(220,944)	(306,068)	220,944	502,255	-	-
Capital purchase transfers	(415,018)	(137,692)	-	3,488,289	-	(2,935,579)	-	-
Changes in value of annuity agreements	-	-	-	-	(239,142)	-	-	(239,142)
Minimum pension liability adjustment	(473,003)	-	-	-	-	-	-	(473,003)
Changes in net assets from non operating activities	<u>(1,359,179)</u>	<u>137,279</u>	<u>(220,944)</u>	<u>3,182,221</u>	<u>(18,198)</u>	<u>(2,433,324)</u>	<u>-</u>	<u>(712,145)</u>
CHANGES IN NET ASSETS	<u>(473,007)</u>	<u>667,960</u>	<u>(12,697,614)</u>	<u>(1,200,799)</u>	<u>-</u>	<u>6,496,677</u>	<u>-</u>	<u>(7,206,783)</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,776,063</u>	<u>3,106,845</u>	<u>154,242,311</u>	<u>83,051,067</u>	<u>12,465</u>	<u>2,649,667</u>	<u>-</u>	<u>244,838,418</u>
NET ASSETS - END OF YEAR	<u>\$ 1,303,056</u>	<u>\$ 3,774,805</u>	<u>\$ 141,544,697</u>	<u>\$ 81,850,268</u>	<u>\$ 12,465</u>	<u>\$ 9,146,344</u>	<u>\$ -</u>	<u>\$ 237,631,635</u>